



Los Angeles County  
Board of Supervisors

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Second District

Zev Yaroslavsky  
Third District

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Michael D. Antonovich  
Fifth District

Mitchell H. Katz, M.D.  
Director

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Chief Medical Officer

Christina R. Ghaly, M.D.  
Deputy Director, Strategic Planning

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*To ensure access to high-quality,  
patient-centered, cost-effective  
health care to Los Angeles  
County residents through direct  
services at DHS facilities and  
through collaboration with  
community and university  
partners.*



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November 19, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Mitchell H. Katz, M.D.  
Director

SUBJECT: **NOTIFICATION OF DEPARTMENT OF HEALTH  
SERVICES' USE OF DELEGATED AUTHORITY TO  
EXTEND THE FINANCIAL REVENUE AND  
ANCILLARY SERVICES MASTER AGREEMENT AND  
TWO REVENUE RECOVERY AGREEMENTS**

This is to advise the Board that the Department of Health Services (DHS) is exercising its delegated authority to extend two types of Financial Management Services Agreements slated to expire December 31, 2013. The approved Board letters delegating that authority are attached. Specifically, DHS is exercising the first of two two-year extension options, by executing Amendments to Financial Revenue and Ancillary Services Master Agreement (FRASMA) No. H-705193, with USCB and FRASMA No. H-705230, with Boehm & Associates, to extend Agreement terms for the period January 1, 2014 through December 31, 2015 for continued Workers' Compensation Identification and Recovery Services and Patient Account Collection Letters Services, respectively.

DHS is also exercising its delegated authority to further extend the term of two Medi-Cal Resource Development and Recovery Services (MRDRS) Agreements by executing an Amendment to Agreement No. H-704551, with Health Advocates, LLC, and Agreement No. H-704562, with CompSpec, Inc., for an additional one-year period from January 1, 2014 through December 31, 2014 for the continued provision of MRDRS.

DHS utilizes various revenue collection services agreements, after exhausting its own best efforts, to maximize revenue recovery for patient services provided at DHS facilities. FRASMA allows DHS to

Honorable Board of Supervisors

November 19, 2013

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maximize potential Workers' Compensation revenue through a contractor that screens and reviews patient data for potential Workers' Compensation cases and MRDRS enables DHS to maximize revenue on patient delinquent accounts via a series of data mailers and collection letters. Extending the FRASMA and MRDRS Agreements will provide DHS with more time to determine the scope of contracted Financial Management Services that the County will require under the Affordable Care Act (ACA), along with the implementation of the Online Real-Time Centralized Health Information Database (ORCHID) System, the transition to ICD-10 code sets, the migration of all DHS facilities to the DHS Consolidated Business Office, and for DHS to assess all other transformative efforts and plan appropriately for the future.

The January 25, 2013 revised Health Insurance Portability and Accountability Act (HIPAA) language has been incorporated into the Amendments. All other terms, conditions, and restrictions will remain unaltered and in full effect. County Counsel has reviewed and approved the Amendments as to form.

If you have any questions or require additional information, please let me know.

MHK:adb

Attachments (2)

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

**ADOPTED**BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

#20 NOVEMBER 29, 2011

SACHI A. HAMAI  
EXECUTIVE OFFICER

Los Angeles County  
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First DistrictMark Ridley-Thomas  
Second DistrictZev Yaroslavsky  
Third DistrictDon Knabe  
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DirectorHal F. Yee, Jr., M.D., Ph.D.  
Chief Medical OfficerJohn F. Schunhoff, Ph.D.  
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November 29, 2011

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF FINANCIAL REVENUE AND ANCILLARY SERVICES  
MASTER AGREEMENT  
(ALL SUPERVISORIAL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval to execute Master Agreements with multiple vendors for the provision of Financial Revenue and Ancillary Services for the Department of Health Services.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Approve and instruct the Director of Health Services, or his designee, to execute a Financial Revenue and Ancillary Services Master Agreement (FRASMA) with each of the vendors listed on Attachment A, for the provision of Financial Revenue and Ancillary Services, effective January 1, 2012 through December 31, 2013, with provisions to extend the Agreement term for up to two additional two-year periods.
2. Delegate authority to the Director of Health Services, or his designee, to execute Agreements with new qualified vendors under the Master Agreement who have been identified and selected through the Request for Statement of Qualifications (RFSQ) process for Workers' Compensation Identification and Recovery Services (WCIRS) and Patient Account Collection Letter Services (PACLS), during the term of the Master Agreement.
3. Delegate authority to the Director of Health Services, or his designee, to exercise two additional two-year extension options, through December 31,

2017, upon review and approval by County Counsel, with notification to your Board and the Chief Executive Office.

#### PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow the Director of Health Services (Director), or his designee, to execute Master Agreements, substantially similar to Exhibit I, for the continued provision of FRASMA at Department of Health Services (DHS) facilities. Approval of the recommended action's will allow for the effective administration of the FRAS Master Agreements and maximize DHS' revenue recovery. These Master Agreements replace the current agreements that expire January 31, 2012 for WCIRS and December 31, 2011 for PACLS.

After exhausting its own best efforts, DHS utilizes various revenue collection services agreements to maximize revenue recovery for patient services provided at DHS Facilities. The County has contracted for these services for several years. In addition to these services, the FRASMA will allow DHS to add additional categories of services with an addendum to the FRASMA Request For Statement of Qualifications and solicit for new pilot program collection services if these services become available to DHS.

Approval of the second and third recommendations will allow the Director to execute Agreements with new qualified vendors and exercise Master Agreement extension options through December 31, 2017.

DHS has contracted for WCIRS since 1998, and WCIRS serves as a "safety net" function to provide collections efforts in order to maximize potential Workers' Compensation (WC) revenue for DHS. Contractor provides screening and reviews patient data for potential WC cases. The Department refers accounts to WCIRS Contractors only after the County's and its primary contractors' best efforts to collect monies have been exhausted.

DHS has contracted for PACLS since 1981, and these services include a series of collection notices on patient delinquent accounts. The current Agreements with Computer Credit Inc. and USCB Inc. were awarded on March 21, 2006 by your Board as a result of an Invitation for Bids, and extended by amendment through December 31, 2011 with approval of your Board.

#### Implementation of Strategic Plan Goals

The recommended action supports Goal 4, Health and Mental Health, of the County's Strategic Plan.

#### FISCAL IMPACT/FINANCING

Under the Master Agreement, the contractor will be responsible for billing Workers' Compensation insurance for eligible patients for WCIRS, and directly notifying patients by data mailers and collection letters for PACLS. Net revenue and expenditures under the Master Agreements will vary depending on the volume of services referred by the County and completed by the contractors. Based on actual WCIRS collections for Fiscal Year (FY) 2010-11, the County's revenue is estimated at \$4,339,456 and fees are estimated at \$1,295,531, for a total net County revenue of \$3,043,925 for the term of the contract. Based on actual PACLS collections for FY 2010-11, the County's revenue is estimated at \$4,531,720 and fees are estimated at \$2,284,359, for total net County revenue of \$2,247,361 for the term of the contract. Funding is included in the FY 2011-12 Final Budget and will be requested in future fiscal years.

### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

DHS has determined that the provisions of the Living Wage Program (County Code Chapter 2.201) do not apply to these agreements, since the services are provided on an as-needed basis. Account referrals made to each qualified Contractor fluctuate from month to month and there are no referral guarantees made by the County.

County Counsel has approved Exhibit I as to use and form. The Master Agreement includes all of the standard provisions mandated by the Board. Fees are standardized throughout all County facilities with implementation of this Master Agreement. The Agreement may be terminated for convenience by the County upon 10 days' prior written notice.

### **CONTRACTING PROCESS**

On October 7, 2011, DHS released a RFSQ for FRASMA, WCIRS and PACLS, posting it on the DHS Contracts and Grants website and the County "Doing Business with Us" website. The initial Statement of Qualifications (SOQ) submission deadline was October 31, 2011, and the three recommended firms submitted SOQs by this deadline. The RFSQ is open continuously for responses and SOQs will continue to be accepted and reviewed in accordance with the process. If qualified, additional firms will be offered the Master Agreement. Thereafter, from time to time Financial Revenue and Ancillary Services will be solicited under competitive conditions through work orders executed by DHS. Each bid opportunity will include a work order with a statement of work describing the services sought under a specific category.

In addition to WCIRS and PACLS, Contractors may provide services in a variety of FRASMA categories identified on Attachment B, if services in those categories are solicited by DHS. In the event that the County adds additional categories of services with an addendum to this RFSQ at a later time, all vendors will have an opportunity to submit an SOQ for the new category.

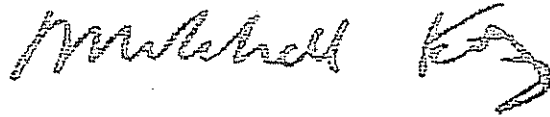
Approval of the Master Agreement does not guarantee a contractor any minimum amount of business. The County only incurs an obligation as individual work orders are issued. All active contractors can bid on services and receive work order availability notices released in the FRASMA categories where the contractor has been pre-qualified.

### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

Approval of the recommendations will ensure the effective administration of the FRAS Master Agreements and maximize DHS' revenue recovery.

The Honorable Board of Supervisors  
11/29/2011  
Page 4

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mitchell Katz". The signature is written in a cursive, flowing style.

Mitchell H. Katz, M.D.

Director

MHK:sd

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors

FINANCIAL REVENUE AND ANCILLARY SERVICES MASTER AGREEMENT  
(FRASMA)  
RECOMMENDED CONTRACTOR LIST

<u>CONTRACTOR NAME</u>	<u>FRASMA CATEGORY (IES)</u>
1. Boehm & Associates	WCIRS
2. Southern California Medical Legal Consultants	WCIRS
3. USCB	WCIRS and PACLS

FINANCIAL REVENUE AND ANCILLARY SERVICES  
MASTER AGREEMENT (FRASMA) CATEGORIES

1.4.2.1 Billing, Collection, Follow-Up and Support Services:

Vendor must have capability of producing all inclusive claims (e.g., UBO4), and itemized claims as requested by Department of Health Services for the following categories listed below:

- WCIRS

Vendor's organization must have billed and collected a minimum of \$0.8 million on Worker's Compensation accounts for a medical facility(ies) in California for one (1) of the last five (5) years.

- Third Party Payors
- Self Pay Accounts
- Health Care Plans
- Commercial Insurance
- Out of State Medicaid

1.4.2.2 Mailing Services and Support Services:

- PACLS

Vendor must be generating over 500,000 mass mailings per year for a client in the healthcare industry.

1.4.2.3 Financial Screening and Support Services:

- 270/271 Identification
- Electronic Data Match for Third Party Eligibility
- Manual Research for Third Party Eligibility
- Patient Contact for Third Party Application
- Assistance/Completion Demographic Verification

1.4.2.4 Reporting and Support Services:

- Provide/Create reports needed for State or Federal audits, Cost Report
- Billing System/Professional Staff for claim processing Data Warehouse
- Clearing house
- Training





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through leadership,  
service and education.*



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December 07, 2010

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Supervisors:

**APPROVAL OF TWO REVENUE RECOVERY SERVICES CONTRACTS  
WITH COMPSPEC, INC. AND HEALTH ADVOCATES, LLC  
(ALL DISTRICTS)  
(3 VOTES)**

**SUBJECT**

Request approval of two replacement contracts with CompSpec, Inc., and Health Advocates, LLC for Medi-Cal Resource Development and Recovery Services.

**IT IS RECOMMENDED THAT YOUR BOARD:**

1. Authorize the Interim Director of Health Services (Interim Director), or his designee, to execute a replacement contract with CompSpec, Inc. (CompSpec) and Health Advocates, LLC (Health Advocates), each effective upon Board approval, for the period January 1, 2011 through December 31, 2013 with an optional one-year extension for the provision of Medi-Cal Resource Development and Recovery Services (MRDRS) to be reimbursed on a contingency fee basis.
2. Delegate authority to the Interim Director, or his designee, to execute an amendment to further extend the term of the contracts for an additional one year period of January 1, 2014 through December 31, 2014, for the continued provision of MRDRS, upon approval of County Counsel, and notice to your

**ADOPTED**

BOARD OF SUPERVISORS  
COUNTY OF LOS ANGELES

#23 DECEMBER 7, 2010

*Sachi A. Hamai*  
SACHI A. HAMAI  
EXECUTIVE OFFICER

Board and the Chief Executive Office (CEO).

#### PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

Approval of the first recommendation will allow the Interim Director to execute replacement contracts, substantially similar to Exhibits I and II, for the continued provision of MRDRS. Currently, under contracts that expire on December 31, 2010, CompSpec and Health Advocates act as a safety-net to the Department of Health Services' (DHS) financial screening and Medi-Cal application processing, in order to help ensure that potential third-party revenues, primarily Medi-Cal, are maximized.

Approval of the second recommendation will allow the Interim Director, or his designee, to execute an Amendment to further extend the term of the contract for a one-year period, beginning January 1, 2014 through December 31, 2014. Prior to executing any Amendment, DHS will obtain prior approval of County Counsel and provide notice to your Board and the CEO.

When the most current extension of the two contracts was approved in March 2010, DHS advised your Board that a revised Request for Proposals (RFP) for MRDRS would be issued to replace the prior RFP that was cancelled as a result of ambiguities in the document. DHS initially anticipated completing the competitive solicitation and recommending successor contracts prior to December 31, 2010. The current incumbents were the only two proposers in response to the RFP that was cancelled. No other vendors expressed any interest in the RFP or in providing the services. After further research and analysis, it was determined that it was unlikely there were any MRDRS providers other than the current two contractors who would be interested in contracting with the County. DHS believes that replacement contracts with the current two firms is an acceptable alternative to a revised RFP in this case. The relatively short term of the proposed contracts will also allow DHS to determine the impact that Health Care Reform will have on MRDRS and plan appropriately for the future.

The recommended replacement contracts will compensate the contractors on a set contingency fee for each Medi-Cal inpatient paid day to the County. In order to incentivize the contractors under the new contracts, there is a tiered contingency fee structure for Medi-Cal inpatient paid days. Starting at the same rate in the current contracts of \$188 per Medi-Cal paid day, there will be a higher contingency fee based on increased Medi-Cal inpatient paid days as a result of contractor collection efforts that exceed previous performance. If each contractor's collection performance remains the same as their Fiscal Year (FY) 2009-10 performance, the total contingency fees for Medi-Cal inpatient days to the contractors will remain substantially similar. If their performance exceeds current standards, there will be increased revenue to the County, as well as increased contingency fee payments to the contractors.

#### Implementation of Strategic Plan Goals

The recommended actions support Goal 4, Health and Mental Health, of the County's Strategic Plan.

#### FISCAL IMPACT/FINANCING

The two Contractors generated approximately \$12.1 million in gross revenue during FY 2009-10, allocated as follows:

Revenue Collected:

CompSpec \$5,596,635; Health Advocates \$6,508,790; Total \$12,105,425.

Contingency Fees Paid:

CompSpec \$961,437; Health Advocates \$1,037,630; Total \$1,999,067.

Fees Paid as a Percentage of Revenue Collected:

CompSpec 17 percent; Health Advocates 16 percent; Total 17 percent.

The estimated annual cost of these contracts is approximately \$2.0 million. Funding is included in the DHS FY 2010-11 Final Budget and will be requested in future fiscal years.

#### **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

On August 17, 2004, your Board approved contracts with CompSpec and Health Advocates to provide MRDRS as a result of an RFP process. At that time, they were the only two RFP respondents. The contracts were effective from August 17, 2004 through August 31, 2009. MRDRS provides a back-up function to DHS' financial screening. Accounts are referred to the MRDRS contractors only after the efforts of DHS staff have been exhausted. In March 2010, your Board approved amendments extending the contracts through December 31, 2010 in order to analyze and complete the RFP process.

The contracts may be terminated by the County with or without cause upon ten days prior written notice and include all of the latest Board-mandated provisions.

DHS has determined that the provisions for the Living Wage Program (County Code Chapter 2.201) do not apply to these contracts, since the services are provided on an as needed basis. Account referrals made to each Contractor fluctuate, and there is no referral guarantees made by the County.

County Counsel has approved Exhibits I and II as to use and form.

#### **CONTRACTING PROCESS**

DHS conducted an RFP for MRDRS for which the current incumbents were the only two proposers. Due to some ambiguities in the RFP document, DHS cancelled the RFP and considered issuing a revised RFP. However, since no other vendors had expressed any interest in the RFP, DHS determined it would be unlikely to receive responses other than from the two incumbents. Therefore, DHS believes that replacement contracts with the current two firms is a preferred alternative to a revised RFP in this case.

#### **IMPACT ON CURRENT SERVICES (OR PROJECTS)**

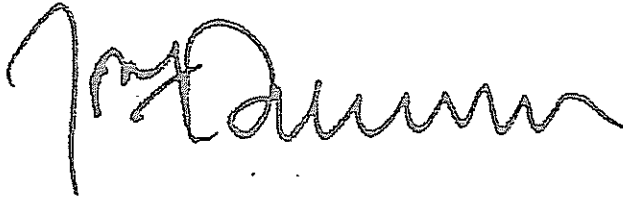
Approval of the recommendation will ensure that MRDRS will continue to maximize DHS' revenue recovery.

The Honorable Board of Supervisors

12/7/2010

Page 4

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John F. Schunhoff". The signature is fluid and cursive, with a large initial "J" and "S".

JOHN F. SCHUNHOFF, Ph.D.

Interim Director

JFS:skd

Enclosures

c: Chief Executive Office  
County Counsel  
Executive Office, Board of Supervisors